

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name HENRIETTA TOWNSHIP	County JACKSON
Fiscal Year End 06/30/06	Opinion Date 12/18/06	Date Audit Report Submitted to State 12/27/06	

We affirm that:

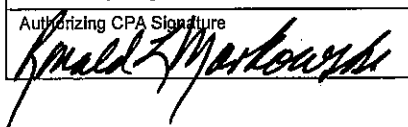
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  4. ☒ ☐ The local unit has adopted a budget for all required funds.
  5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  11. ☒ ☐ The local unit is free of repeated comments from previous years.
  12. ☒ ☐ The audit opinion is UNQUALIFIED.
  13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Markowski & Company, CPAs		Telephone Number 517-782-9351	
Street Address 2880 Spring Arbor Road		City JACKSON	State Zip MI 49203
Authorizing CPA Signature 		Printed Name Ronald L. Markowski	License Number 1101006941

**HENRIETTA TOWNSHIP**  
**AUDITED FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2006**

**HENRIETTA TOWNSHIP  
FINANCIAL STATEMENTS  
JUNE 30, 2006**

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# MARKOWSKI & COMPANY

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**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ESTATE PLANNING COUNCIL  
OF SOUTH CENTRAL MICHIGAN

## INDEPENDENT AUDITOR'S REPORT

Township Board  
Henrietta Township  
Jackson County, Michigan

We have audited the financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of Henrietta Township, Michigan, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

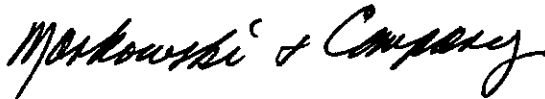
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds, and remaining fund information of the Township at June 30, 2006, and the changes in financial position, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required parts of the basis financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Township Board  
Henrietta Township  
Jackson County, Michigan

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The accompanying required supplementary information, as described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,

A handwritten signature in cursive script that reads "Markowski & Company".

MARKOWSKI & COMPANY, CPAs  
December 18, 2006

## Management's Discussion and Analysis

### Using this Annual Report

As management of Henrietta Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of Henrietta Township for the fiscal year ended June 30, 2006.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Township's net assets increased by \$67,027 from a year ago. A substantial portion of the Township's net assets (37%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and payments for road construction). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

In a condensed format, the table below shows the net assets as of the current date:

	Governmental Activities	
	June 30, 2006	June 30, 2005
Current Assets	\$ 518,483	\$ 474,128
Noncurrent Assets	281,895	297,520
Total Assets	800,378	771,648
Current Liabilities	29,098	67,395
Net Assets		
Invested in Capital Assets - Net of Debt	281,895	252,861
Unrestricted	489,385	451,392
Total Net Assets	\$ 771,280	\$ 704,253

## Management's Discussion and Analysis

The following table shows the changes of the net assets as of the current date:

	Governmental Activities	
	June 30, 2006	June 30, 2005
Program Revenues		
Charges for Services	\$ 118,008	\$ 142,533
Operating Grants and Contributions	500	4,687
Capital Grants and Contributions	19,005	-
General Revenues		
Property Taxes	128,523	121,590
State-Shared Revenues	311,542	305,920
Interest Income	9,995	6,727
Franchise Fees	9,225	9,529
Other Income	9,579	10,919
Total Revenues	606,377	601,905
Program Expenses		
Legislative	46,896	48,986
General Government	206,522	212,502
Public Safety	227,544	243,967
Public Works	7,152	6,183
Depreciation	48,780	73,913
Interest on Long Term Debt	2,456	4,786
Total Expenses	539,350	590,337
Change in Net Assets	\$ 67,027	\$ 11,568

### Government Activities

The Township's total governmental revenues increased by \$4,472. Charges for services decreased as permit fees for construction continue to decline with a poor economy. Additional revenues were recognized as the Township received grants for two new voting machines and for an infrared thermal imaging camera used in Township firefighting operations. Property taxes and state shared revenues increased only slightly. The Township monitors its budget and expenditures closely in order to control costs. Each department is involved in the budgeting and planning process and fully understands that a budget is a plan that is adjustable. Each department's budget and expenditures are reviewed monthly with the department head and management. Total expenses decreased by \$50,987 with the primary decrease coming from elections (national elections were held in 2004/2005) and the fire department.

### The Township's Funds

The fund financial statements provide a more detailed analysis of the Township's operations, which is focused primarily on the current use of available resources. The Township maintains several funds to help manage money designated for special purposes, as well as to show accountability for certain activities.

The General Fund, the major governmental fund, relates to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State Shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance increased \$76,324. Total expenditures in the General Fund were \$521,269 in the current year.

## **Management's Discussion and Analysis**

### **The Township's Funds (Continued)**

The Township has two other governmental funds, the Vehicle Replacement Fund accounts for monies set aside for the replacement of vehicles and equipment. During the year the fund had revenues of \$1,345 made up entirely of interest income and expenditures of \$47,115 used for debt service.

The Public Improvement Fund is used for monies set aside for Township public improvements. During the year the fund had revenues of \$7,439 made up entirely of interest income and no expenditures

### **General Fund Budgetary Highlights**

The initial budget was well planned and reviewed by each department and the board. Monthly and quarterly budget meetings are held, and amendments are made as needed. The original budget adopted for the Township's General Fund projected a \$10,860 decrease in fund balance. As the year progressed, and actual events took place, amendments were adopted to reflect the changing financial picture.

The final General Fund budget projected a \$5,145 decrease in fund balance.

### **Capital Asset and Debt Administration**

At the end of 2006, the Township had \$257,120 invested in a broad range of capital assets, including buildings and fire equipment. In addition, the Township has invested in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the County Road Commission. During the year new voting equipment, fire equipment (thermal imaging camera) and building improvements totally \$35,868 were purchased.

The Township had no debt at June 30, 2006.

### **Economic Factors and Next Year's Budgets and Rates**

The Township budget for 2006/2007 shows expenditures of \$585,785 with revenues at \$592,750. State shared revenues look to remain stale. Property taxes are budgeted at \$130,000. The Township has entered into a five year cell tower lease agreement at \$1,300 monthly to generate revenues to offset rising costs. The Township is in the process of renewing a five year lease of Township office space with Stockbridge Schools at \$1.00 per year in lieu of building a new facility. The Township is planning to commission a team of citizens to research the need and costs of a sewer system in the densely populated lake areas this year.

The Township continues to look into ways to reduce operating costs and maintain and improve our level of services. The Township fire department continues to apply for grants for needed equipment and training. The Township operates on a 1 mill tax levy (.79) after the Headlee amendment. The Township board is further reviewing the need for additional millage monies to maintain the current level of services in the area of public safety.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office located at 11120 Musbach Road, Munith, MI 49259.



**HENRIETTA TOWNSHIP**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**HENRIETTA TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

**ASSETS**

	<u><b>GOVERNMENTAL ACTIVITIES</b></u>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 234,454
Investments	182,243
Accounts receivable	101,786
Total current assets	<u>518,483</u>
<b>NONCURRENT ASSETS</b>	
Land	3,500
Buildings and improvements	291,300
Office equipment	106,047
Equipment	259,619
Vehicles	415,880
Less - Accumulated depreciation	<u>(819,226)</u>
Net property and equipment	257,120
Intangible asset - road construction	24,775
Total noncurrent assets	<u>281,895</u>
Total assets	<u>800,378</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	
Accounts payable	15,382
Accrued payroll	9,716
Accrued leave payable	4,000
Total current liabilities	<u>29,098</u>
<b>NET ASSETS:</b>	
Invested in capital assets - net of related debt	281,895
Unrestricted	489,385
Total net assets	<u>\$ 771,280</u>

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities</b>					
Legislative	\$ 46,896	\$ -	\$ -	\$ -	\$ (46,896)
General government	206,522	62,638	500	9,510	(133,874)
Public safety	227,544	50,668	-	9,495	(167,381)
Public works	7,152	4,702	-	-	(2,450)
Depreciation	48,780	-	-	-	(48,780)
Interest on long term debt	2,456	-	-	-	(2,456)
<b>Total governmental activities</b>	<b>539,350</b>	<b>118,008</b>	<b>500</b>	<b>19,005</b>	<b>(401,837)</b>
General revenues					
Property taxes					128,523
State-shared revenues					311,542
Interest income					9,995
Franchise fees					9,225
Other income					9,579
<b>Total general revenues</b>					<b>468,864</b>
Change in net assets					67,027
Net assets - Beginning					704,253
Net assets - Ending					<b>\$ 771,280</b>

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	GENERAL FUND	VEHICLE REPLACEMENT FUND	PUBLIC IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 204,351	\$ 29,090	\$ 1,013	\$ 234,454
Investments	-	-	182,243	182,243
Accounts receivable	100,497	-	-	100,497
Due from other funds	1,289	-	-	1,289
Total assets	<u>\$ 306,137</u>	<u>\$ 29,090</u>	<u>\$ 183,256</u>	<u>\$ 518,483</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 15,382	\$ -	\$ -	\$ 15,382
Accrued payroll	9,716	-	-	9,716
Total liabilities	<u>25,098</u>	<u>-</u>	<u>-</u>	<u>25,098</u>
<u>FUND BALANCES</u>				
Fund balances - Unreserved	281,039	29,090	183,256	493,385
Total fund balances	<u>281,039</u>	<u>29,090</u>	<u>183,256</u>	<u>493,385</u>
Total liabilities and fund equity	<u>\$ 306,137</u>	<u>\$ 29,090</u>	<u>\$ 183,256</u>	<u>\$ 518,483</u>

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

Total fund balance - total governmental funds \$ 493,385

Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not current financial resources  
and therefore are not reported in the governmental funds balance sheet. For  
purposes of this reconciliation capital assets are netted with accumulated depreciation. 257,120

The Township has entered into a road agreement with the County Road Commission,  
the payments are spread over a five year period. The Township does not own or  
maintain these roads and therefore are not reported in the governmental funds  
balance sheet. Amount shown net of related amortization. 24,775

Accrued leave is not due and payable in the current period and, therefore,  
is not reported in the governmental funds balance sheet. (4,000)

Net assets of governmental activities \$ 771,280

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	GENERAL FUND	VEHICLE REPLACEMENT FUND	PUBLIC IMPROVEMENT FUND	TOTAL
<b>REVENUES:</b>				
Taxes and penalties	\$ 128,523	\$ -	\$ -	\$ 128,523
Franchise fee	9,225	-	-	9,225
Licenses and permits	38,143	-	-	38,143
Fees and fines	18,518	-	-	18,518
Intergovernmental	311,542	-	-	311,542
Charges for services	50,997	-	-	50,997
Interest income	1,211	1,345	7,439	9,995
Other revenue	39,434	-	-	39,434
Total revenues	<u>597,593</u>	<u>1,345</u>	<u>7,439</u>	<u>606,377</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative	46,896	-	-	46,896
General government	206,061	-	-	206,061
Public safety	226,708	-	-	226,708
Public works	5,736	-	-	5,736
Capital outlay	35,868	-	-	35,868
Debt service	-	47,115	-	47,115
Total expenditures	<u>521,269</u>	<u>47,115</u>	<u>-</u>	<u>568,384</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	76,324	(45,770)	7,439	37,993
<b>FUND BALANCE - Beginning of year</b>	<u>204,715</u>	<u>74,860</u>	<u>175,817</u>	<u>455,392</u>
<b>FUND BALANCE - End of year</b>	<u>\$ 281,039</u>	<u>\$ 29,090</u>	<u>\$ 183,256</u>	<u>\$ 493,385</u>

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

Net change in fund balances - total governmental funds \$ 37,993

Amounts reported for governmental activities in the statement of activities  
are different because:

Government funds report capital outlay as expenditures. However, in the  
government wide statement of activities and changes in net assets, the  
cost of those assets is allocated over their estimated useful lives as  
depreciation expense. This is the amount of capital assets recorded in  
the current period. 35,868

Depreciation expense on capital assets is reported in the government-wide  
statement of activities and changes in net assets, but they do not require  
the use of current financial resources. Therefore, depreciation expense is not  
reported as an expenditure in governmental funds. (48,780)

Amortization expense on intangible assets is reported in the government-wide  
statement of activities and changes in net assets, but they do not require  
the use of current financial resources. Therefore, amortization expense is not reported  
as an expenditure in governmental funds. (1,416)

Government funds report capital outlay as expenditures. Scrapped equipment is not  
recorded in the government funds. However, in the government wide statement of activities  
and changes in net assets, the net cost of scrapped equipment (cost less accumulated  
depreciation) is expensed. (1,297)

The payments of long term debt consumes the current financial resources of  
governmental funds. The amount of the effect of this in the statement of activities. 44,659

Change in net assets of governmental activities \$ 67,027

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2006**

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 1,289</u>
<u>LIABILITIES</u>	
Due to other funds	<u>\$ 1,289</u>

The accompanying notes are an integral part of the financial statements.



**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**HENRIETTA TOWNSHIP**  
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**JUNE 30, 2006**

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**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

The accounting methods and procedures adopted by Henrietta Township conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following is a summary of the significant accounting policies used by Henrietta Township.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. DESCRIPTION OF TOWNSHIP OPERATIONS -**

Henrietta Township is a general law township and is located in Jackson County, Michigan. The Township operates under an elected Board consisting of a Supervisor, Clerk, Treasurer, and two Trustees, and provides services to approximately 4,400 residents in many areas including fire and police protection, roads and streets, public interests, planning and zoning, and general administrative services.

**B. REPORTING ENTITY -**

As required by generally accepted accounting principles, the financial statements of Henrietta Township include its primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. On this basis, accordingly, the financial statements of certain other governmental organizations within the Township, such as the school district, are not included in the financial statements of the Township.

**C. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements report information on all of the nonfiduciary activities of Henrietta Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as a separate column in the fund financial statements.

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Vehicle Replacement Fund accounts for the resources advanced from the general fund earmarked for capital outlays for the Township's fire department.
- The Public Improvement Fund accounts for resources received from the general fund earmarked for public improvements.

Additionally, the Township reports the following fund types:

- Agency funds account for assets held by the Township in a purely custodial capacity, the reporting entity includes three agency funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.
- The Delinquent Tax Fund accounts for delinquent taxes and other fees collected to be distributed to the General Fund.
- The Tax Revenue Fund accounts for property tax collections to be distributed to the Township General Fund.
- The Fire Explosion Fund accounts for amounts collected from casualties and losses to ensure that the proper township ordinances are enforceable.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**E. CASH AND CASH EQUIVALENTS -**

The Township has classified cash on hand in checking accounts as cash for balance sheet purposes. Cash in excess of current requirements is invested by the Treasurer in certificates of deposit. Certificates that mature within 90 days have liquidity similar to a regular checking account; they are presented as a cash equivalent in the financial statements. Certificates with a maturity of greater than 90 days are considered investments for financial statement purposes.

**F. RECEIVABLES -**

Henrietta Township records accounts receivable for amounts due from the State of Michigan for State shared revenue in the General Fund.

**G. PREPAID EXPENSES -**

Expenses, material in amount, which provide benefits in a future period have been set up as prepaid. They will be recognized as an expense in the period receiving the benefit.

**H. CAPITAL ASSETS -**

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 to 30 years
Vehicles and equipment	3 to 7 years

**I. INTANGIBLE ASSETS**

The Township has entered into an agreement with the County Road Commission to construct and maintain roads within the township. The Township does not maintain custody of the roads but does share in the construction costs. The resources used in the construction of the roads are recorded as intangible assets and amortized over a period of 10 to 30 years in the government wide financial statements.

**J. FUND EQUITY -**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**K. ACCUMULATED UNPAID LEAVE PAY -**

It is the Township's policy to permit full time employees to accumulate earned but unused leave time. Accumulated at June 30, 2006, the liability included \$4,000 unpaid leave pay benefits reported in the governmental funds. All leave pay is accrued when incurred in the government-wide financial statements.

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**L. LONG TERM OBLIGATIONS -**

In the government wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities.

**M. ESTIMATES -**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**BUDGET VIOLATIONS -**

During the year, the Township incurred no expenditures in budgeted funds which were in excess of the amounts appropriated.

**NOTE 3 - PROPERTY TAXES:**

The Township property taxes are levied annually on December 1<sup>st</sup>. Payment is due by the last day of the following February. For fiscal year 2006, the Township levied an operating tax. The operating tax is levied on the taxable valuation of real and personal property located within the Township on the preceding December 31<sup>st</sup>. For the 2005 levy collected in fiscal year 2006, the taxable value was \$119,166,312. The operating tax levied was 0.7899 mills (\$.7899 per \$1,000 of the taxable value).

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 4 - CASH AND INVESTMENTS:**

The Township Treasurer is authorized by state law and a resolution from the Board of Trustees to invest surplus funds as follows:

- 1) Bonds or other direct obligations of the United States.
- 2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union.
- 3) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. The maturity date of the commercial paper must not be longer than 270 days from the purchase date, and no more than 50% of any fund may be invested in commercial paper at any time.
- 4) United States government or federal agency obligations repurchase agreements.
- 5) Bankers' acceptances of United States banks.
- 6) Mutual funds composed of investment vehicles which are legal for direct investments by the Township.

Cash and cash equivalents of the Township can be categorized as follows:

	Carrying Amount	Bank Balance
Cash and cash equivalents:		
Insured (FDIC)	\$ 129,090	\$ 129,090
Uninsured and uncollateralized	106,653	113,543
	<u>\$ 235,743</u>	<u>\$ 242,633</u>
Reported in the financial statements:		
Governmental funds	\$ 234,454	
Fiduciary funds	1,289	
	<u>\$ 235,743</u>	

The Township investments consist of certificates of deposit with a maturity of greater than 90 days. The Township has chosen to disclose its investments by specifically identifying each. As of June 30, 2006, the Township had the following investments:

Investment Type	Maturity	Market Value	Rating
Certificates of Deposit - Uninsured			
Independent Bank	3/11/07	\$ 53,105	S&P-AAA
Independent Bank	4/28/08	37,765	S&P-AAA
Independent Bank	5/11/07	11,640	S&P-AAA
Independent Bank	3/29/08	35,745	S&P-AAA
Independent Bank	5/11/07	43,988	S&P-AAA
Total Investments		<u>\$ 182,243</u>	

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 4 – CASH AND INVESTMENTS: (CONTINUED)**

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Township minimizes this risk by holding investments to maturity.

Concentration of Credit Risk

The Township's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by public agencies.

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:**

The amount of interfund receivables and payables at June 30, 2006, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Fire explosion	\$ 158
	-	Tax Revenues	1,131
Total	<u>\$ 1,289</u>	Total	<u>\$ 1,289</u>



**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:**

Capital asset activity of Henrietta Township for the current year was as follows:

	<u>07/01/05</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/06</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Capital assets not being depreciated				
Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Subtotal	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Capital assets being depreciated				
Buildings and improvements	286,530	4,770	-	291,300
Machinery and equipment	258,430	17,906	16,717	259,619
Office equipment	102,105	13,192	9,250	106,047
Vehicles	415,880	-	-	415,880
Subtotal	<u>1,062,945</u>	<u>35,868</u>	<u>25,967</u>	<u>1,072,846</u>
Less accumulated depreciation for				
Buildings and improvements	207,780	3,890	-	211,670
Machinery and equipment	179,667	15,530	15,882	179,315
Office equipment	69,924	10,247	8,788	71,383
Vehicles	337,745	19,113	-	356,858
Subtotal	<u>795,116</u>	<u>48,780</u>	<u>24,670</u>	<u>819,226</u>
Net capital assets being depreciated	<u>267,829</u>	<u>(12,912)</u>	<u>1,297</u>	<u>253,620</u>
Governmental activities capital total Capital assets - net of depreciation	<u>\$ 271,329</u>	<u>\$ (12,912)</u>	<u>\$ 1,297</u>	<u>\$ 257,120</u>

**NOTE 7 - EMPLOYEES' PENSION PLAN:**

The Township contributes to a defined contribution pension plan, administered by an investment company, which covers all full time salaried and clerical employees.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account and the returns on investments of these contributions. Contributions made by an employee and contributions by the Township both vest immediately. The Township is required to contribute an amount equal to what each employee contributes up to 3% of the employee's gross earnings, excluding any overtime earnings.

During the year ending June 30, 2006, the Township's required contributions amounted to \$1,200.

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 8 - CHANGES IN LONG-TERM DEBT:**

The general long-term debt and other long-term obligations of Henrietta Township, and the changes therein, may be summarized as follows:

	DEBT OUT- STANDING 07/01/05	ADDITIONS OF NEW DEBT	RETIREMENTS AND REPAYMENTS	DEBT OUT- STANDING 06/30/06
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Fire engine installment purchase agreement. Payments of \$47,115 including interest at 5.5% annually through 3/25/06.	\$ 44,659	\$ -	\$ (44,659)	\$ -

**NOTE 9 - BUILDING PERMITS:**

The Township complied with requirements to account for building permits and the related costs by establishing a department within the General Fund. Revenues for the year were \$38,143, and the expenditures were \$63,368 as follows:

Revenues:	
Building permits	\$ 20,188
Electrical permits	7,350
Plumbing permits	4,650
Mechanical permits	5,955
Total	<u>38,143</u>
Expenditures:	
Building inspections	45,143
Electrical inspections	7,650
Plumbing-Mechanical inspections	10,575
Total	<u>63,368</u>
Expenditures in excess of revenues	<u>\$ (25,225)</u>

**NOTE 10 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for claims.

**HENRIETTA TOWNSHIP**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS	POSITIVE (NEGATIVE)
<b>REVENUES;</b>				
<b>Taxes -</b>				
Current property taxes	\$ 86,400	\$ 86,400	\$ 93,645	\$ 7,245
Delinquent personal property	100	100	99	(1)
Administrative fees	31,000	31,000	31,904	904
Penalties and interest	2,500	2,500	2,875	375
Total taxes	120,000	120,000	128,523	8,523
Franchise fees	9,500	9,500	9,225	(275)
<b>Licenses and permits</b>				
Building permits	25,000	20,000	20,188	188
Electrical permits	8,000	7,000	7,350	350
Plumbing permits	6,000	5,000	4,650	(350)
Mechanical permits	6,500	6,000	5,955	(45)
Total licenses and permits	45,500	38,000	38,143	143
<b>Fees and fines</b>				
Site plan review	3,500	3,000	2,880	(120)
Zoning fees	250	1,450	3,725	2,275
Land division fees	1,000	2,000	2,320	320
Tax collection fees	8,500	9,500	9,005	(495)
Other fees and fines	200	400	588	188
Total fees and fines	13,450	16,350	18,518	2,168
<b>Intergovernmental</b>				
Sales tax	300,000	306,000	307,811	1,811
State metro act	3,500	3,500	3,731	231
Total	303,500	309,500	311,542	2,042
<b>Charges for services</b>				
Fire and rescue runs	-	3,600	3,600	-
Street lights	4,600	4,600	4,702	102
Transfer station	36,000	39,000	42,695	3,695
Total	40,600	47,200	50,997	3,797
Interest income	900	900	1,211	311
<b>Other revenue</b>				
Rents	7,200	11,150	10,350	(800)
Reimbursements	-	6,000	6,980	980
Grants/Donations	-	500	19,505	19,005
Miscellaneous	1,000	2,000	2,599	599
Total	8,200	19,650	39,434	19,784
<b>Total Revenues</b>	<b>\$ 541,650</b>	<b>\$ 561,100</b>	<b>\$ 597,593</b>	<b>\$ 36,493</b>

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
EXPENDITURES:				
LEGISLATIVE:				
TOWNSHIP BOARD:				
Salaries and wages	-	-	6,000	-
Employees' social security	-	-	459	-
Memberships	-	-	2,414	-
Professional services	-	-	3,104	-
Office supplies	-	-	92	-
Telephone	-	-	127	-
Printing	-	-	451	-
Insurance	-	-	26,764	-
Repairs and maintenance	-	-	882	-
Cemetery contributions	-	-	4,100	-
Senior nutrition	-	-	412	-
Community promotion	-	-	1,500	-
Miscellaneous	-	-	591	-
TOTAL LEGISLATIVE	54,000	55,100	46,896	8,204
GENERAL GOVERNMENT:				
SUPERVISOR:				
Salaries and wages	-	-	15,532	-
Employees' social security	-	-	1,178	-
Office supplies	-	-	8	-
Telephone	-	-	840	-
Memberships	-	-	90	-
Training, education and seminars	-	-	77	-
Travel	-	-	214	-
Total	17,930	18,030	17,939	91
ELECTIONS:				
Salaries and wages	-	-	626	-
Employees' social security	-	-	14	-
Office supplies	-	-	432	-
Postage	-	-	149	-
Printing	-	-	59	-
Training, education and seminars	-	-	75	-
Total	1,600	1,600	1,355	245

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>TOWNSHIP CLERK:</b>				
Salaries and wages	-	-	18,553	-
Employees' social security	-	-	1,416	-
Memberships	-	-	105	-
Professional services	-	-	3,888	-
Office supplies	-	-	606	-
Postage	-	-	737	-
Telephone	-	-	977	-
Printing	-	-	1,053	-
Training, education and seminars	-	-	16	-
Repairs and maintenance	-	-	2,493	-
Travel	-	-	104	-
Miscellaneous	-	-	23	-
Total	33,725	33,725	29,971	3,754
<b>ASSESSING:</b>				
Salaries and wages	-	-	395	-
Employees' social security	-	-	69	-
Memberships	-	-	108	-
Professional services	-	-	32,237	-
Office supplies	-	-	2,667	-
Postage	-	-	154	-
Telephone	-	-	418	-
Printing	-	-	875	-
Training, education and seminars	-	-	435	-
Repairs and maintenance	-	-	1,100	-
Travel	-	-	764	-
Total	41,670	41,670	39,222	2,448
<b>BOARD OF REVIEW:</b>				
Salaries and wages	-	-	1,784	-
Employees' social security	-	-	60	-
Office supplies	-	-	31	-
Printing	-	-	138	-
Travel	-	-	305	-
Miscellaneous	-	-	136	-
Total	2,225	2,525	2,454	71

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
TOWNSHIP TREASURER:				
Salaries and wages	-	-	21,140	-
Employees' social security	-	-	1,617	-
Memberships	-	-	33	-
Insurance	-	-	1,406	-
Professional services	-	-	3,888	-
Office supplies	-	-	555	-
Postage	-	-	2,165	-
Telephone	-	-	393	-
Training, education and seminars	-	-	22	-
Repairs and maintenance	-	-	1,213	-
Travel	-	-	195	-
Miscellaneous	-	-	1	-
Total	34,740	34,740	32,628	2,112
TOWNSHIP HALL AND GROUNDS:				
Professional services	-	-	371	-
Supplies	-	-	340	-
Repairs and maintenance	-	-	6,057	-
Utilities	-	-	6,577	-
Miscellaneous	-	-	19	-
Total	14,000	14,000	13,364	636
TRANSFER STATION:				
Salaries and wages	-	-	16,622	-
Employees' social security	-	-	1,258	-
Professional services	-	-	46,578	-
Utilities	-	-	620	-
Printing	-	-	60	-
Repairs and maintenance	-	-	3,379	-
Operating supplies	-	-	18	-
Miscellaneous	-	-	593	-
Total	71,420	72,720	69,128	3,592
TOTAL GENERAL GOVERNMENT	217,310	219,010	206,061	12,949

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>PUBLIC SAFETY:</b>				
<b>FIRE DEPARTMENT:</b>				
Salaries and wages	-	-	78,701	-
Employees' social security	-	-	6,021	-
Employees' health insurance	-	-	14,820	-
Retirement contribution	-	-	1,200	-
Memberships	-	-	510	-
Professional services	-	-	4,702	-
Office supplies	-	-	477	-
Postage	-	-	39	-
Gas and oil	-	-	3,058	-
Clothing allowance	-	-	745	-
Operating supplies	-	-	1,977	-
Telephone	-	-	1,728	-
Repairs and maintenance	-	-	22,784	-
Training, education and seminars	-	-	30	-
Travel	-	-	1,378	-
Utilities	-	-	6,773	-
Total	149,965	151,200	144,943	6,257
<b>ORDINANCE ENFORCEMENT:</b>				
Professional services	-	-	2,340	-
Operating supplies	-	-	42	-
Telephone	-	-	120	-
Repairs and maintenance	-	-	360	-
Travel	-	-	628	-
Total	6,780	6,780	3,490	3,290
<b>BUILDING INSPECTIONS:</b>				
Salaries and wages	-	-	40,021	-
Employees' social security	-	-	2,947	-
Office supplies	-	-	11	-
Postage	-	-	111	-
Telephone	-	-	393	-
Repairs and maintenance	-	-	1,143	-
Travel	-	-	517	-
Total	42,975	46,975	45,143	1,832
<b>ELECTRICAL INSPECTIONS:</b>				
Salaries and wages	-	-	6,885	-
Employees' social security	-	-	523	-
Training, education and seminars	-	-	110	-
Travel	-	-	132	-
Total	6,900	8,100	7,650	450

The accompanying notes are an integral part of the financial statements.



**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS	POSITIVE (NEGATIVE)
PLUMBING-MECHANICAL INSPECTIONS:				
Professional services	-	-	10,080	-
Travel	-	-	495	-
Total	13,000	13,000	10,575	2,425
PLANNING AND ZONING				
Salaries and wages	-	-	4,445	-
Employees' social security	-	-	294	-
Professional services	-	-	6,610	-
Memberships	-	-	1,210	-
Office supplies	-	-	50	-
Printing	-	-	562	-
Telephone	-	-	513	-
Training, education and seminars	-	-	135	-
Travel	-	-	1,088	-
Total	21,880	21,880	14,907	6,973
TOTAL PUBLIC SAFETY	241,500	247,935	226,708	21,227
PUBLIC WORKS:				
HIGHWAYS AND STREETS				
Road construction	1,500	1,500	-	1,500
STREET LIGHTS				
Utilities	5,200	5,800	5,736	64
TOTAL PUBLIC WORKS:	6,700	7,300	5,736	1,564
CAPITAL OUTLAY:				
Elections	7,000	7,000	11,080	-
Township hall and grounds	5,000	8,900	4,770	-
Fire department	21,000	21,000	20,018	-
Total	33,000	36,900	35,868	1,032
TOTAL EXPENDITURES	552,510	566,245	521,269	44,976
NET CHANGE IN FUND BALANCE	(10,860)	(5,145)	76,324	81,469
FUND BALANCE - Beginning of year	204,715	204,715	204,715	-
FUND BALANCE - End of year	\$ 193,855	\$ 199,570	\$ 281,039	\$ 81,469

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**VEHICLE REPLACEMENT FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Interest income	\$ -	\$ -	\$ 1,345	\$ 1,345
EXPENDITURES:				
DEBT SERVICE				
Public safety	47,500	47,500	47,115	385
NET CHANGE IN FUND BALANCE	(47,500)	(47,500)	(45,770)	1,730
FUND BALANCE - Beginning of year	74,860	74,860	74,860	-
FUND BALANCE - End of year	<u>\$ 27,360</u>	<u>\$ 27,360</u>	<u>\$ 29,090</u>	<u>\$ 1,730</u>

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**PUBLIC IMPROVEMENT FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Interest income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,439</u>	<u>\$ 7,439</u>
EXPENDITURES:				
Public works	<u>175,817</u>	<u>175,817</u>	<u>-</u>	<u>175,817</u>
NET CHANGE IN FUND BALANCE	<u>(175,817)</u>	<u>(175,817)</u>	<u>7,439</u>	<u>183,256</u>
FUND BALANCE - Beginning of year	<u>175,817</u>	<u>175,817</u>	<u>175,817</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,256</u>	<u>\$ 183,256</u>

The accompanying notes are an integral part of the financial statements.

# MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD

JACKSON, MICHIGAN 49203

PHONE (517) 782-9351

FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.  
RONALD L. MARKOWSKI, C.P.A.  
DOUGLAS E. ATKINS, C.P.A.

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ESTATE PLANNING COUNCIL  
OF SOUTH CENTRAL MICHIGAN

December 18, 2006  
Township Board  
Henrietta Township

We have audited the financial statements of Henrietta Township for the year ended June 30, 2006, and have issued our report thereon dated December 18, 2006. Professional standards require that we provided you with the following information related to our audit.

## **Our responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated December 4, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Henrietta Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Henrietta Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2006. We noted no transactions entered into by Henrietta Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Henrietta Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Henrietta Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Henrietta Township's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Henrietta Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

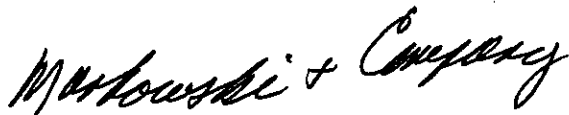
Township Board  
Henrietta Township  
Page Three

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Village Council and management of Henrietta Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Markowski & Company".

MARKOWSKI & COMPANY, CPAs

**HENRIETTA TOWNSHIP**  
**MEMORANDUM OF COMMENTS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**Segregation of Duties**

Because of the limited size of Henrietta Township's staff, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Township. To further the effectiveness of the limited internal controls we recommend that the Treasurer remit copies of the monthly bank statements to the Clerk and that the Clerk remit copies of the completed bank reconciliation (BS & A reconciliation) to the Treasurer. The Township management and board should continue to monitor and review the activities of employees and departments within the Township.